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May 13, 2010

TO: Supervisor Gloria Molina, Chair  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe  
Auditor-Controller

SUBJECT: **WESTSIDE FAMILY HEALTH CENTER CONTRACT REVIEW – A  
DEPARTMENT OF PUBLIC HEALTH HIV/AIDS PREVENTION  
SERVICES PROVIDER**

We completed a fiscal review of Westside Family Health Center (WFHC or Agency), a Department of Public Health (DPH) HIV/AIDS prevention services provider.

**Background**

The DPH's Office of AIDS Programs and Policy (OAPP) contracts with WFHC to provide HIV/AIDS health education/risk reduction outreach services. WFHC is located in the Third District.

At the time of our review, the Agency had one cost-reimbursement contract with OAPP. DPH paid WFHC \$175,754 and \$168,289 in OAPP funds for Fiscal Years 2007-08 and 2008-09, respectively.

**Purpose/Methodology**

The purpose of our review was to determine whether WFHC appropriately spent program funds in accordance with the County contract. We also evaluated the adequacy of WFHC's accounting records, internal controls, and compliance with the contract and applicable federal and State fiscal guidelines governing the Ryan White Comprehensive AIDS Resource Emergency Act.

### **Results of Review**

The Agency appropriately recorded and deposited cash receipts timely in their bank account. However, we noted the following weaknesses in the bank reconciliations area. For example:

- WFHC did not complete bank reconciliations timely and had outstanding reconciling items totaling \$12,664 that ranged from six to fourteen months old.
- Bank reconciliations did not always reconcile to the cash amount in the accounting records.
- WFHC management did not document their review and approval of the bank reconciliations.

In addition, the Agency did not always comply with other contract requirements. For example, WFHC:

- Billed OAPP for payroll based on budgeted positions and not on actual time spent by employees on OAPP activities. As a result, we could not verify the appropriateness of the payroll expenditures billed to OAPP.
- Did not record OAPP payroll expenditures to a separate cost center.
- Did not prepare a detailed Cost Allocation Plan.

The details of our review, along with recommendations for corrective action, are attached.

### **Review of Report**

We discussed our report with WFHC and OAPP on February 1, 2010. In their attached response, the Agency agreed with the findings and recommendations. OAPP will work with the Agency to ensure that the findings and recommendations are implemented.

We thank WFHC for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer  
Jonathan E. Fielding, Director, Department of Public Health  
Debra Farmer, Executive Director, Westside Family Health Center  
Public Information Office  
Audit Committee

**HIV/AIDS PREVENTION SERVICES  
WESTSIDE FAMILY HEALTH CENTER  
FISCAL YEARS 2007-08 AND 2008-09**

**CASH/REVENUE**

**Objective**

Determine whether cash receipts and revenue are properly recorded in Westside Family Health Center's (WFHC or Agency) records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

**Verification**

We interviewed WFHC's personnel and reviewed their financial records. We also reviewed the Agency's October 2008 and December 2008 bank reconciliations for the operating and payroll bank accounts.

**Results**

WFHC appropriately recorded and deposited cash receipts timely into the Agency's bank account. However, the Agency needs to improve controls over their bank reconciliations. Specifically:

- The bank reconciliation for the operating account showed an ending cash amount that did not reconcile to the cash amount in the accounting records. The difference totaled \$872.
- The Agency did not prepare the bank reconciliation within 30 days of the bank statement for one bank account. The reconciliation was prepared 120 days beyond the 30-day timeframe.
- Bank reconciliations included reconciling items totaling \$12,664 that ranged from six to fourteen months old.
- Agency management did not document their review and approval of the bank reconciliations.

**Recommendations**

**WFHC management ensure:**

- 1. The operating bank account is accurately prepared and the ending cash balance is traceable to the Agency's accounting records.**

2. Bank reconciliations are prepared within 30 days of the bank statement date and are reviewed and approved by management.
3. Reconciling items are resolved timely and credited to the appropriate program if necessary.

### **COST ALLOCATION PLAN**

#### **Objective**

Determine whether the Agency's Cost Allocation Plan was prepared in accordance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

#### **Verification**

We reviewed the Agency's Cost Allocation Plan and reviewed the allocation for a shared expenditure incurred by WFHC to ensure the expenditure was appropriately allocated to the Agency's programs.

#### **Results**

WFHC used an appropriate allocation method to allocate shared costs. However, WFHC did not prepare a detailed Cost Allocation Plan per the County contract.

#### **Recommendation**

4. WFHC use Office of Management and Budget Circular A-122 to develop a detailed Cost Allocation Plan.

### **EXPENDITURES**

#### **Objective**

Determine whether program expenditures are allowable under the County contract, properly documented and accurately billed to the program.

#### **Verification**

We interviewed Agency personnel, reviewed financial records and reviewed supporting documentation for a sample of seven non-payroll expenditures totaling \$9,405 billed to Office of AIDS Programs and Policy (OAPP) from March 2008 to December 2008.

**Results**

WFHC's expenditures were allowable and supported by documentation as required by the contract.

**Recommendation**

None.

**FIXED ASSETS AND EQUIPMENT****Objective**

Determine whether the Agency's fixed assets and equipment purchases made with program funds are used for the OAPP program and are safeguarded.

We did not perform test work in this section, as WFHC did not use OAPP funds to purchase fixed assets.

**Recommendation**

None.

**PAYROLL AND PERSONNEL****Objective**

Determine whether payroll expenditures were appropriately charged to OAPP. In addition, determine whether personnel files are maintained as required.

**Verification**

We traced the payroll expenditures for four program employees totaling \$7,668 and employee benefits totaling \$1,204 for November 2008 to the Agency's payroll records and time reports. We also reviewed personnel files of staff assigned OAPP activities.

**Results**

WFHC maintained the required records in the employees' personnel files. However, WFHC charged OAPP for payroll expenditures based on the number of budgeted full time positions not actual time spent by employees performing OAPP related activities as required by the County contract. As a result, we could not verify the appropriateness of the payroll expenditures billed to OAPP.

**Recommendations**

**WFHC management ensure:**

- 5. Payroll billings are based on actual hours worked on OAPP related activities.**
- 6. Employees record actual hours worked each day on their time reports to support the time spent on program activities.**

**COST REPORTS**

**Objective**

Determine whether the Agency's Cost Reports reconcile to the Agency's accounting records.

**Verification**

We traced the Agency's Cost Reports for the period ended June 2008 and December 2008 to the Agency's accounting records. In addition, we reviewed a sample of expenditures incurred during March 2008 to December 2008.

**Results**

WFHC's Cost Reports did not reconcile to their accounting records. Specifically, WFHC's accounting records for the OAPP program did not include payroll expenditures. The Agency commingled their payroll expenditures with a non-OAPP program.

**Recommendation**

**Refer to recommendations 5 and 6.**

- 7. WFHC management ensure Cost Reports are supported by the Agency's accounting records.**

Westside Family



Health Center

March 10, 2010

Wendy Watanabe  
County of Los Angeles  
Department of Auditor-Controller  
Countywide Contracting Monitoring Division  
350 S. Figueroa Street, 8<sup>th</sup> Floor  
Los Angeles CA 90071

RE: WESTSIDE FAMILY HEALTH CENTER CONTRACT REVIEW – A  
DEPARTMENT OF PUBLIC HEALTH HIV/AIDS PREVENTION SERVICES  
PROVIDER

Dear Ms. Watanabe:

We have reviewed the draft of your fiscal review of Westside Family Health Center (WFHC) of our OAPP contract for fiscal year 2008-2009. This letter is WFHC's formal response to the draft report.

Below is our specific response to each finding.

**CASH/REVENUE**

**Recommendations:**

- 1. The operating bank account is accurately prepared and the ending cash balance is traceable to the Agency's accounting records.**  
We strive to ensure that all ending cash balances are traceable to the Agency's accounting records. Audit adjustments are prepared 90-120 days after the fiscal year end and may affect monthly cash balances previously reported.
- 2. Bank reconciliations are prepared within 30 days of the bank statement date and are reviewed and approved by management.**  
WFHC tries to ensure bank statements are reviewed 30 days from the date of receipt by WFHC. Since the fiscal year 2008-2009, we have hired additional personnel to assist us in more timely reconciliation and reporting.
- 3. Reconciling items are resolved timely and credited to the appropriate program if necessary.**  
Since the fiscal year 2008-2009, we have hired additional personnel to assist us in more timely reconciliation and reporting.

#### **COST ALLOCATION PLAN**

##### **Recommendation:**

- 4. WFHC use OMB Circular A-122 to develop a Detailed Cost Allocation Plan.**

WFHC has developed a more robust cost allocation plan based on OMB Circular A-122.

#### **PAYROLL AND PERSONNEL**

##### **Recommendations:**

- 5. Payroll billings are based on actual hours worked on OAPP related activities.**  
WFHC will ensure that the paid lunch half-hour does not reflect in the OAPP billing.
- 6. Employees record actual hours worked each day based on their time reports to support the time spent on program activities.**  
WFHC will ensure that the hours worked by the employee are reflected by program including non-OAPP programs.

#### **COST REPORTS**

##### **Recommendation:**

- 7. WFHC management ensure Cost Reports are supported by the Agency's accounting records.**

WFHC will apply the appropriate payroll expenditures to the OAPP cost center.

#### **CONCLUSION**

We appreciate the opportunity that audits and reviews give us to improve our performance and meet the obligation of our contracts. We feel that we do a good job, but not a perfect one and appreciate your review.

Sincerely,



Debra A. Farmer  
President/CEO